



## ***Doing business in France? The Challenges Facing U.S. Companies.***

In every economy, it is important for companies, domestic or international, to manage their operations, resources, and personnel effectively in order to grow in revenue and profits—and ideally both. In today's uncertain economy, especially in light of growing competition across industries, it is becoming more difficult to do so. For companies with operations in several countries, this problem is compounded for both economic and cultural reasons. This is especially true now for U.S. companies doing or looking to do business in France.

To begin with, France has one of the most liberal and bureaucratic labor laws in the world when it comes to employee rights and protection. The average French employee is capped at a 35 hour week with benefits (health, unemployment, pension, etc...) averaging 47% of salary versus 40 hours and 24% for US workers. Every French full time employee has a contract and after an initial probationary period of usually six months, it is an extremely difficult and lengthy process for him/her to be fired (other than cause...e.g; dishonesty, criminal act, etc). There is no such thing like in the U.S. as "Employment at Will". I know of a 28 yearold Marketing Manager for a French subsidiary of well known global organization whose position was eliminated for very valid business reasons. That was over a year and a half ago and she is still getting full pay, benefits and bonus! Without having to work until the company can find her a comparative position elsewhere in the organization. One may ask: Why would a U.S. company subject itself to these costs

and restrictions? The answer is simple: Doing business in France for the most part makes money. France is a large market—in fact it is the seventh greatest industrial power in the world, it has a pro-business environment, an attractive financial market, and its net spending on R&D is in the fifth in the world, "A global organization not doing business in France is similar to rainbow not having one of its core colors", noted one U.S. executive; so the question is no longer "whether" but "how" to do business in France efficiently and legally. (This is reminiscent of John F. Kennedy's speech in 1962 where he stated that one of the U.S.'s goal is to send a man to the moon before the end of the decade and bring him back alive). With companies under pressure to maintain their profit margins, many firms seek a flexible cost structure to match their often volatile revenue stream. To do so, many U.S. firms are limiting their full-time permanent hiring and turning to interim, project, or temporary independent contractors. For the most part, these individuals are not subject to the stringent regulations of regular employees. No contract, no 47% benefit cost, no severance/layoff cost, no legal or administrative hassle. You effectively pay for what you use. And to make this process even less taxing, U.S. companies turn to local outside agencies to locate the types of individuals and skill level required. What is good here is that you also do not have to worry about cultural differences as these are familiar and handled by the outside agency So you pay less, you administer less, you don't worry about local culture, and you get what you want...where's the catch?? That is the point:

there is none. While some may argue that full-time employees provide you control, continuity, and succession planning, the response is that any good management can have all these through the mix and phase-in of permanent and interim staff. What you want to ensure is the quality of the personnel staff you are getting through interim/project management firms, as well as the service level, is at least as good, if not better than what you would get if you recruited permanent employees. That may simply involve doing your homework by interviewing the final candidate and reviewing his/her qualifications and references. In summary, companies need to adapt quickly to manage unfavorable economic environments. For those global companies that are doing business in another country like France, the additional cultural, legal, and administrative challenges add another level of complexity and often an additional expense burden. The benefits of doing business in France are many and, in order to eliminate or at least minimize this burden, many U.S. firms, whether starting a business in France or already doing business there, are moving towards outsourcing their personnel demands to interim/project management firms. Those companies should still perform the necessary due diligence to ensure that they are getting the “crème de la crème” personnel provided by these firms consistent with the needs of their organization.



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